DOCUMENT RESUME

ED 211 759 CE 031 043

AUTHOR Rassen, Rachel L.
TITLE Getting Down to Business: Apparel Store, Module 7. Teacher Guide. Entrepreneurship Training Components.
INSTITUTION American Institutes for Research in the Behavioral Sciences, Palo Alto, Calif.
SPONS AGENCY Office of Vocational and Adult Education (ED), Washington, D.C.
PUB DATE Apr 81
CONTRACT 300-79-0535
NOTE 37p.; For related documents see CE 031 026-101 and CE 031 324.
AVAILABLE FROM Wisconsin Vocational Studies Center, 964 Educational Sciences Bldg., Madison, WI 53706 (order No. ETC100T2, $3.00. 25% discount on 100 or more of same title. Complete set--ETC100--$200.00).

EDRS PRICE MF01/PC02 Plus Postage.
DESCRIPTORS Administrator Role; Advertising; *Business Administration; *Business Education; Business Skills; *Clothing; Financial Support; Information Sources; Learning Activities; Learning Modules; Merchandising; Money Management; Recordkeeping; *Retailing; *Salesmanship; Secondary Education; Teaching Methods
IDENTIFIERS *Entrepreneurship; *Small Businesses

ABSTRACT

This is the seventh in a set of 36 teacher guides to the Entrepreneurship Training Modules and accompanies CE 031 042. Its purpose is to give students some idea of what it is like to own and operate an apparel store. Following an overview are general notes on use of the module. Suggested steps for module use contain suggestions on introducing the module, a brief discussion of the nine units, responses to learning activities, suggestions for summarizing the module, and responses to the quiz. The units are Planning an Apparel Store; Choosing a Location; Getting Money to Start; Being in Charge; Buying and Keeping Track of Supplies; Setting Prices; Advertising and Selling; Keeping Financial Records; and Keeping Your Clothing Store Successful. Each unit contains a case study; responses to individual activities; responses to discussion questions; and a group activity. Suggested readings for the teacher and a list of goals and objectives complete the module. (CT)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

Entrepreneurship Training Components

etc

AMERICAN INSTITUTES FOR RESEARCH IN THE BEHAVIORAL SCIENCES P.O. Box 1113, 1791 Arastradero Road, Palo Alto, California 94302

ED211759

GETTING DOWN TO BUSINESS:

Apparel Store

Module 7

Teacher Guide

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☐ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL HAS BEEN GRANTED BY

C. Kaplan

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

The information reported herein was obtained pursuant to Contract No. 300-79-0535, Office of Vocational and Adult Education, U.S. Education Department. Contractors undertaking such projects under government sponsorship are encouraged to document information according to their observation and professional judgment. Consequently, information, points of view, or opinions stated do not necessarily represent official Education Department position or policy.

GETTING DOWN TO BUSINESS:

Apparel Store

Rachel L. Rassen

April 1981

Developed at the American Institutes for Research
under support from the
Office of Vocational and Adult Education
U.S. Education Department

TABLE OF CONTENTS

Overview 1

Suggested Steps for Module Use 4

Introduction 4

Unit 1 5

Unit 2 6

Unit 3 8

Unit 4 10

Unit 5 13

Unit 6 16

Unit 7 18

Unit 8 20

Unit 9 24

Summary 26

Quiz 27

Suggested Readings 29

Goals and Objectives 30

OVERVIEW

The purpose of these Getting Down to Business modules is to provide high school students in vocational classes with an introduction to the career option of small business ownership and to the management skills necessary for successful operation of a small business. Developed under contract to the Office of Vocational and Adult Education, U.S. Department of Education, the materials are designed to acquaint a variety of vocational students with entrepreneurship opportunities and to help reduce the high failure rate of small businesses.

As the students become familiar with the rewards and demands of small business ownership, they will be able to make more informed decisions regarding their own interest in this career possibility. It is hoped that, as a result of using these materials, some students will enter small business ownership more prepared for its challenges. Others will decide that entrepreneurship is not well suited to their abilities and interests, and they will pursue other career paths. Both decisions are valid. The materials will encourage students to choose what is best for them.

These Getting Down to Business modules are designed to be inserted into ongoing high school vocational programs in the seven vocational disciplines--Agriculture, Distributive Education, Occupational Home Economics, Business and Office, Trades and Industry, Technical, and Health. They will serve as a brief supplement to the technical instruction of vocational courses, which prepare students well for being competent employees but which generally do not equip them with skills related to small business ownership. The modules are self-contained and require a minimum of outside training and preparation on the part of instructors. Needed outside resources include only those types of materials available to all students, such as telephone directories, newspapers, and city maps. No special texts or reference materials are required. For further optional reading by instructors, additional references are listed at the end of the Teacher Guide. An annotated Resource Guide describing especially valuable entrepreneurship-related materials is also available.

The purpose of this module is to give students some idea of what it is like to own and operate an apparel store. Students will have an opportunity to learn about the kinds of activities and decisions an apparel store owner is involved in every day. While the module is not a complete "how-to" manual, the individual lessons will provide your class with the chance to practice many of these activities and decisions.

Today, owners of small businesses face many problems--some minor, some not so easily taken care of. These problems are reflections of the changes our society is going through. While this module cannot address itself to all of them, the discussion questions at the end of each unit are designed to give students an opportunity to explore possible solutions.

You may want to present this module after completing Module 1, Getting Down to Business: What's It all About? Module 1 is a 16-hour program

covering a more in-depth approach to owning a small business. The terms that are introduced in Module 1 are used in this module with a restatement of their definitions. Also, the forms used are the same, with some minor changes to fit an apparel store specifically. Module 1 provides an introduction to owning a small business in addition to some skills and activities that, due to their general nature, are not covered in this module.

Content Organization

Each unit of the module contains the following:

1. Divider Page--a list of what the student should be able to do at the end of that unit.

2. Case Study--an account of a business owner in the field.

3. Text--three to four pages outlining business management principles introduced in the case study but focused more on the student.

4. Learning Activities--three separate sections, including:

   a. Individual Activities--finding information given in the text or applying information in the text to new situations.

   b. Discussion Questions--considering broad issues introduced in the text; several different points of view may be justifiable.

   c. Group Activity--taking part in a more creative and action-oriented activity; some activities may focus on values clarification.

General Notes on Use of the Module

Instructional Time:	Each unit = 1 class period; total class periods	= 9
	Introduction, quiz, summary	= 1
	Total instructional time = 10 class periods	

The case study and text are central to the program's content and are based on the instructional objectives appearing in the last section of this Guide. Learning activities are also linked to these objectives. You may not have time to introduce all the learning activities in each unit. You will want to select those that appear most related to course objectives, are most interesting to and appropriate for your students, and are best suited to your particular classroom setting. Certain learning activities may require extra classroom time and may be used as supplementary activities if desired.

Before presenting the module to the class, you should review both the Student and Teacher Guides and formulate your own personal instructional approach. Depending on the nature of your classroom setting and the students' abilities, you may want to present the case study and text by

instructional means that do not rely on students' reading--for example, through a lecture/question-answer format. Case studies and certain learning activities may be presented as skits or role-playing situations.

No particular sections of the module have been designated as homework, but you may wish to assign certain portions of the module to be completed out of class. For example, you may want students to read the case study and text in preparation for discussion in the next class period, or you may want them to review the material at home after the class discussion. You may also prefer that students read the material in class. Similarly, individual activities may be completed in class or for homework. Discussion questions and group activities are specially intended for classroom use, although some outside preparation by students may also be needed (for example, in the case of visiting a small business and interviewing the owner).

Methods that enhance student interest in the material and that emphasize student participation should be used as much as possible. Do not seek to cover material exhaustively, but view the course as a brief introduction to entrepreneurship skills. Assume that students will obtain more job training and business experience before launching an entrepreneurial career.

The quiz may be used as a formal evaluation of student learning or as a self-assessment tool for students. Answers to learning activities and the quiz are provided in a later section of this guide.

SUGGESTED STEPS FOR MODULE USE

Introduction (15 minutes, or integrate within first hour of Unit 1)

I. In introducing this module you will probably want to find out what students already know about the clothing business.

- Ask about the types of apparel stores students know about. (Most will probably identify big department stores.)
- Ask if they know about any small, independent apparel stores.
- Ask them what they think the advantages of owning their own small apparel shop might be.
- Ask them what disadvantages they see.

II. Discuss small businesses briefly. Over 90% of all businesses in the United States are small businesses. In this module we will be dealing with very small businesses, meaning a self-employed owner working alone or with one to four employees. Often small businesses are owned and run by members of a family.

III. Discuss the purposes of the module:

- To increase students' awareness of small business ownership as a career option.
- To acquaint students with the skills and personal qualities apparel store owners need to succeed.
- To acquaint students with the kind of work small business owners do in addition to using their vocational skills.
- To expose students to the advantages and disadvantages of small business ownership.

IV. Emphasize that even if students think they lack management aptitudes, some abilities can be developed. If students "turn on" to the idea of small business ownership, they can work at acquiring abilities they don't have.

Also, students who work through this module will have gained valuable insights into how and why business decisions are made. Even if they later choose careers as employees, they will be better equipped to help the business succeed.

Unit 1 - Planning an Apparel Store (1 class period)

I. Vocabulary: Apparel store
Merchandise

II. Case Study: Joan Caldwell's background and interests are in the fashion area. She is considering opening a women's store in Oakland, California. Before she opens her store, Joan takes into account the competition in the area and the legal requirements she will have to meet.

Text: Customers, Competition, and Products
Helpful Personal Qualities
How to Compete Well
Special Store Image
Legal Requirements

Points to Stress:

- You may want to tell students that not everyone should open an apparel store. They may like fashion, but they may not like paper work. They must also like working with people.

- Different states have different licensing and legal requirements for opening and running an apparel store. There may also be local (county and city) laws to consider. You may want to get this information from your state and local licensing agencies and make a detailed list of these requirements for your students.

III. Responses to Individual Activities

1. Student responses to this question will vary depending on the location of their school and the characteristics of their city or town. Responses should reflect a systematic investigation of the number and types of apparel stores in the area.

2. The responses to this question will depend on the types of stores individual students consider opening.

3. Knowing your target customers helps you choose the styles of clothes and accessories that will comprise the store's inventory, the sales people to hire, and the store design. You also can better plan your advertising campaign. The success of an apparel store largely depends on identifying and selling to a distinct group.

4. a) E
b) B
c) D
d) C
e) A

5. Helpful personal traits and experiences for an apparel store owner include: sales ability, high energy and enthusiasm, good business sense, a knowledge of fashion trends, and the ability to be a good listener.

6. A wide range of subjects would be appropriate in response to this question. Relevant courses include classes in merchandising, fashion design, art, accounting, bookkeeping, mathematics, business and financial management, and so on.

IV. Responses to Discussion Questions

1. People buy clothes for a variety of reasons, whether or not they actually "need" them. People buy clothes for comfort and utility, as signs of success in their jobs, and to achieve social status. A variety of student responses to this question is acceptable.

2. Clothing stores are risky businesses primarily because there is so much competition--from other small stores as well as from big discount and department stores. Changing lifestyles, choosey customers, and unpredictable fashion trends add to the risk of opening an apparel store.

3. Joan has taken the initial steps in identifying her target customers. She will, however, still face heavy competition from the big department and discount stores who can easily afford to carry petite sizes as well as larger sizes. Her success may depend on her ability to design an effective advertising campaign that will promote her store as a specialty store catering exclusively to small-sized women.

V. Group Activity

Student responses to this questions are limited only by imagination, and not necessarily by the feasibility of the services listed. Students should be encouraged to be creative in their suggestions. An important concept that should be emphasized is that of personalized service. Other services suggested may include free delivery service, refreshments for customers, baby-sitting area for customers' children, taped music, gift sachets included with purchases, and so on.

You may wish to divide the class into small discussion groups for this activity. When the groups have completed their lists of suggested services, have students share their responses.

Unit 2 - Choosing a Location (1 class period)

I. Vocabulary: Percentage
Chamber of Commerce

II. Case Study: Joan wants to locate her store in a site that will contribute to the success of her business. She takes a risk in choosing a site that may be undergoing renovation. But before she makes a decision, she carefully studies the site and conducts an analysis of the traffic patterns.

Text: Choosing the Area to Locate Your Store
Questions to Ask When You Choose Your Site
Renting and Leasing a Store

Optional Points to Present:

- You may want to discuss other general factors in selecting a location: the community, make-up of population by age groups, labor conditions, nature and prosperity of industries.

- Some points to emphasize in discussing store location are rents and insurance rates, appearance of existing buildings, zoning restrictions, position of location within a block, etc.

III. Responses to Individual Activities

1. Possible responses include: Chamber of Commerce; real estate agents; community banks; newspapers; city and county planning councils; and the U.S. Bureau of the Census.

2. a) True. The location of Jim's store will most likely attract walk-in customers. His store will be highly visible to people shopping and doing business in the area.

   b) False. Susan may find that her store is inaccessible to her target customers because there is no parking or public transportation. Her analysis is of limited value because she has not taken into account these factors in choosing her location.

3. Additional information that would be helpful in choosing a site for your store may include: zoning regulations, information on neighboring buildings and businesses, public transportation, available parking, number of similar stores in the neighborhood, and the neighborhood's potential for growth.

4. Each site has its advantages and disadvantages. Even though the rent at site 1 is high and there will be stiff competition from the other stores, the location is central and in a well established shopping area. Business may be good enough to justify the high rent. The low rent at site 2 makes this location attractive. However, an effective advertising campaign will have to be designed in order to inform and attract customers away (two blocks) from the central shopping district. The fact that some of the original businesses at site 3 are moving into a newly developed shopping mall is a signal that

this is an area undergoing economic change. Rent is very high at site 3. Based on this information, site 3 is the least attractive. But information is lacking as to what types of stores are moving in. The changes at site 3 would have to be carefully analyzed before any decision is reached.

5. A flat rental rate calls for a set monthly rental payment. In a percentage of sales agreement, the renter agrees to pay a base amount and a percentage of his or her monthly sales.

IV. Responses to Discussion Questions

1. Studying the area gives you an idea about the general characteristics and growth potential of the neighborhood. Studying the specific site will give you information about your competition, your visibility, and the number and type of people likely to come to your store.

2. A traffic count will give you an idea of your potential walk-in traffic and the visibility of your store. This information will help in planning your advertising campaign.

3. Responses to this question will vary, depending on the characteristics of your school and community.

V. Group Activity

The purpose of this activity is to introduce students to the concerns, experiences, and types of planning strategies that go into setting up a small, independently owned apparel store. Students should prepare their questions in class before the guest speaker arrives. Have students form small groups and generate lists of questions based on what they want to know about the apparel store business. Then as a class activity, compile one list of questions. Present these questions to the speaker before the class meeting so that he or she can prepare responses. A list of sample areas of concern is included in the Student Guide.

Unit 3 - Getting Money to Start (1 class period)

I. Vocabulary: Starting capital
Loan officer
Résumé
Target customers (market)
Accessories
Initial inventory
Restock

II. Case Study: Joan takes stock of the money available to her and lists how much she will need to open her apparel store. She concludes that she needs a bank loan to help her open.

Text: Preparing a Business Plan
Statement of Financial Need

Points to Present:

- A personal résumé should accompany the business plan and the statement of financial need. You may want to bring in examples of a résumé and discuss how to write a good one.

- Many small businesses fail because they are "undercapitalized." You may want to discuss the importance of having sufficient reserve capital to cover operating expenses for two years--until the store begins to show a profit. (It usually takes this long.)

- Lending agencies are generally very conservative in their investments. As a rule of thumb, they prefer the loan applicant to contribute at least 50% of the capital needed to start the business and will provide loans for the remainder. If a loan applicant is turned down by one bank, he or she should make an application to a second bank, which may be more liberal in its lending policies. The Small Business Administration is another source of money for the prospective small business owner.

III. Responses to Individual Activities

1. Other items Joan could add to her business description include: a detailed management plan for her store; the number of employees she intends to hire; and the reasons why her choice for the store's location will contribute to the success of her store. The purpose of including this additional information is to demonstrate to the lending agency that (a) her business strategy is carefully and systematically planned and (b) she is a good investment risk.

2. Joan estimates that her total business expenses will be approximately $30,400. She has $14,000 on hand and will need to borrow an additional $16,400. However, she has not planned to spend any money at this time on store repairs and renovations. This is an expense she expects to pay at some later date when her financial position is more stable.

3. The purpose of this question is to encourage students to list and carefully plan for the expenses involved in opening an apparel store. Much of this information is included in the case study. However, costs and prices may vary, depending on your area, the type of apparel store students wish to open, and their initial inventory. Other special categories may include accounting, bookkeeping, and legal fees, consultant fees from an interior decorator, utilities, and so on.

IV. Responses to Discussion Questions

1. This business plan is a good start, but it is extremely limited. The lender will need to have more detailed information, not only about her business strategy, but also about Joan herself. The lender will want to know more about how Joan plans to attract her customers--her promotion and advertising campaign--and why she thinks this kind of specialty store would be a good investment risk.

2. It is important to submit a résumé along with the statement of financial need and the business plan. The lender will want to know more about Joan--is she a good investment risk? Is she responsible and reliable, and does she have the types of experience that would indicate that she is capable of operating a successful apparel store?

3. The largest and most important expense is for the initial inventory. Store rent and employee salaries will also take a large amount of money. The inventory should appeal to the target customers; the location should be convenient and appealing; the employees must be reliable and well qualified. These three expenses are the largest and most important because they will affect the store's image, ability to attract customers, and store profits.

V. Group Activity

The purpose of this activity is to give students a realistic idea of the procedures and forms used in applying for a bank loan. Although the loan procedures of different banks and investment companies may be similar, the agencies may have different philosophies regarding the types of businesses in which they would choose to invest and the information they require.

The class could break into teams, with each team doing some research on loan application procedures. If a loan officer is invited to talk to the class, have the students prepare a list of questions and issues for him or her to discuss.

Unit 4 - Being in Charge (1 class period)

I. Vocabulary: Job description
Personal references
Interview
Store policies

II. Case Study: Joan needs to hire an employee to assist her in the store. She goes through the process of writing a job description, advertising the position, and interviewing applicants. However, she decides to hire her friend Peggy, who has secretarial experience but will need training in sales.

Text: Building an Effective Staff
Selecting Job Applicants
Providing Training for Employees
Store Policies

Optional Points to Present:

- You may want to talk to your students about classified ads, public and private employment agencies, and bulletin boards--how to use them to find the right employee.

- There are other aspects of hiring and managing employees that you may want to cover--benefits and salaries to offer and ways to handle interpersonal conflicts on the job. You may want to role play these situations.

- You may want to discuss the importance of good communications and to generate a list of ways good communications can be established and maintained.

- A personal interview is an important part of hiring the right person for a job. There are some qualities that might show up in an interview and not on an application form. You may want to lead a discussion or role-play situation on good interview techniques.

III. Responses to Individual Activities

1. The five steps in the basic sales approach include: the approach (getting the customer's attention), determining the customer's needs, the presentation, overcoming customers' objections, and closing the sale.

2. Joan and Peggy are friends and should be able to work cooperatively in creating a harmonious sales/store atmosphere. Peggy's secretarial experience will be helpful in performing the bookkeeping and accounting tasks. However, Peggy's appearance does not fit the "small woman" image. Peggy also lacks sales experience; she will need training and Joan will have to supervise her work. Also, her friendship with Joan may complicate their employee-employer relationship; their personal relationship may make it difficult for Peggy to accept guidance and criticism from Joan.

3. a) The salesperson should try to determine the customer's needs. Why does Irma want or need the stationery? Handling this customer requires patience as well as an ability to listen and smile in the face of indecision.

   b) A thorough knowledge of the product will help in overcoming the objections of the Know-It-All. The customer is "always right," but the customer may not know everything about the product. The salesperson should listen to the customer's

objections and decide if the garment still seems "right" for the customer. If so, the salesperson should use the objections to strengthen his or her sales presentation--by pointing out details or facts overlooked by the customer (durability, fit of the clothes, color, etc.).

4. a) Lipstick--nailpolish, cosmetics, and accessories
   b) Shoes--stockings, matching pocketbook
   c) Pantsuit--scarves, accessories, and an interesting blouse (perhaps a hat!)
   d) suede coat--a hat, a scarf, boots, perhaps an aerosol water repellant

5. a) False
   b) False
   c) True

IV. Responses to Discussion Questions

1. This salesperson is being insensitive, if not rude to the customer. The salesperson is demonstrating a lack of knowledge about the store as well as a lack of concern for the customer. Ms. Fussbudget is unlikely to return to the store, and this and other potential sales will be lost. A better approach would have been for the salesperson to locate the scarves for Ms. Fussbudget or to find someone who could provide the needed assistance. Needless to say, the salesperson's directions were too vague, and the impression made on the customer is a poor one.

2. First, check with the store owner or manager. If the customer is known in the store and/or her identification is local, the owner or manager may approve the check. However, the salesperson should not make this decision. If the owner or manager is unavailable, the sale should not be concluded; as an alternative, offer to "hold" the items until the customer is able to return with a second form of identification.

3. If the customer initially had sufficient assistance from the salesperson, then this problem would not have come up. The law is for everyone, even regular customers; if you make an exception in this case, you will be tempted to make others. You should politely make clear to the customer that as much as you would like to help her, you are unable to accept or exchange the returned bathing suit.

4. You should think twice about hiring this person. If he is an exceptional salesperson, and if he is only one of a number of employees, you may consider hiring him on a trial basis. However, you should be looking for salespeople who are reliable as well as qualified, because their performance will reflect on the image and reputation of your store.

V. Group Activity

Good employer-employee relationships are essential to the effective and efficient management of a store. It is important that students realize that these relationships do not "just happen." Establishing good relationships and good communications starts with a clear statement of job responsibilities and with hiring good people to work for you. This takes a lot of effort, criticism, and sensitivity to workers.

The purpose of this activity is to sensitize students to the responsibilities of the employer in interviewing and hiring job applicants.

It may be awkward to have the whole class participate in this exercise and you may want to divide the class into small role-playing and discussion groups. Student responses will vary, depending on the group and the particular role-playing situation; you will have to actively encourage students to keep "on-track."

At the conclusion of this exercise, have students discuss what they have learned. Each group should develop a set of interview guidelines for the prospective employer--types of questions to ask, information needed prior to making any hiring decisions, what to look for in the prospective employee, and so on.

The guidelines that students generate from the critique of this role-playing exercise should provide them with a "self-check" list that they can follow when interviewing job applicants.

Unit 5 - Buying and Keeping Track of Supplies (1 class period)

I. Vocabulary: Wholesale
Retail
Purchase order
Inventory card
Invoice

II. Case Study: The decisions involved in inventory selection and inventory control are described in this unit. Central to these decisions is finding reliable and reputable suppliers who will give Joan favorable terms and prices on her initial inventory.

Text: Inventory Selection
Supplier Terms
Store-Supplier Relations
Purchase Orders
Inventory Control

Points to Present:

- Good organization comes from experience. You may want to discuss with your students how it is possible to let poor organization, paperwork, and small details run your life--leaving you with no extra time to run the store. In order to be successful in this business, store owners must learn to manage their time and responsibilities effectively and efficiently.

- There are many sources of fashion information and many suppliers who would like to sell their fashion lines. Although there is an advantage to maintaining good relationships with a few steady suppliers, there is also a drawback in that your inventory may become too stable. You may want to discuss the advantages and disadvantages of adding new lines and fashions and the importance of keeping up with the latest trends in the fashion industry.

III. Responses to Individual Activities

1.

PURCHASE ORDER

TO: Burnstein & Garza Fashion Supply, Inc.
Los Angeles

DATE: August 12, 19XX

PURCHASE ORDER NUMBER:

REQUIRED DELIVERY DATE: Sept. 1

SHIP TO: Joan Caldwell
Think Small Apparel Store
Oakland, CA

SHIP VIA: Truck

Quantity	Unit	Description	Unit Cost	Total Cost
4	dresses	Misty Classic Shirtwaist, size 4	20 | 00	80 | 00
4	dresses	Misty Classic Shirtwaist, size 6	20 | 00	80 | 00
6	dresses	Misty Classic Shirtwaist, size 8	20 | 00	120 | 00
6	dresses	Misty Classic Shirtwaist, size 10	20 | 00	120 | 00
		TOTAL		400 | 00

Signature Joan Caldwell

a) This is a sample of Joan's completed purchase order. To calculate total costs, multiply the number of items purchased times the unit cost. For example, here Joan purchased 20 dresses in the same style, each costing $20.00, or 20 x $20, for a total cost of $400.00.

b) If Joan can pay her bill by Nov. 10, she will be able to subtract 8% from the bill.
8% of $400 = $32.00
Thus, on this portion of her total bill she will owe $400 - $32, or $368.

2. Student responses to this question will reflect their personal interests in the fashion business and the characteristics of the local business community.

3. Responses to this question will depend on your school's location. Compare information gathered by different students. There is no one "best way" to ship merchandise. The choice of delivery methods depends on how much the apparel store owner can afford to pay for shipment of goods and on how soon he or she needs the merchandise.

IV. Responses to Discussion Questions

1. Joan expects dresses to be her best (fastest) selling items and skirts to be her slowest selling items. She has ordered more dresses than skirts.

2. Joan has not really invested well. She intends to emphasize dress sales, but she seems to have overlooked the fact that she is specializing in small and petite-sized clothing. If she had thought more about her inventory, she might have decided to buy larger quantities of clothes in sizes 6 and 8 and not as many in sizes 4 and 10. Size 4 is an unusually small size, and women who wear size 10 may be bigger than Joan's target market.

3. This was probably a wise decision on Joan's part, since the suppliers may have more knowledge of recent fashion trends and styles.

V. Group Activity

An inventory control system will give the store owner an idea of the inventory going in and going out of the store. It gives the owner a way of keeping track of the store's inventory, of planning for future purchases, and of supervising employee sales.

Joan will complete purchase orders and daily inventory cards, but it is unclear as to what type of inventory system she will use.

The basic activity in any inventory control system is counting. Joan will count the sales receipts for each day and make note of the number or types of items sold. This is a very systematic way of counting inventory and maintaining a stock control system. The disadvantages of this system are that papers tend to become lost, and daily counting may require much time and effort.

An alternative method is to arrange all her stock in a way where she can see (and count when necessary) what is currently available simply by looking; she can hang all the size 4 pink sundresses together with the size 4 blue sundresses next in line, and so on. But this stock control system requires careful planning and layout of the inventory to be successful.

A combination of these two systems would be the best alternative. Joan could complete her inventory cards once a week, but she will be able to see immediately, at any time, what is in stock and what needs to be reordered.

Unit 6 - Setting Prices (1 class period)

I. Vocabulary: Stock turnover
Markup
Gross profit
Net profit
Profit margin

II. Case Study: It is difficult to be "fair" when deciding on prices. Joan's pricing strategy is described including some effective pricing techniques and the advantages of a "Grand Opening Sale."

Text: Turnover
Pricing
Gross Profit Pricing
Markdowns/Sales

Optional Points to Present:

- You probably will want to discuss other factors that will affect pricing decisions such as inflation rates, gas price increases, increased labor costs, and wholesale prices.
- You may want to discuss ways in which owners of small businesses cope until they begin to show a profit. The problems of undercapitalization may also be discussed in the context of pricing strategies and decisions.

III. Responses to Individual Activities

1. a) Retail Price = $9
Gross Profit Percentage = 33 1/3%

b) Cost = $9
Gross Profit Percentage = 40%

c) Markup = $3.50
Gross Profit percentage = 50%

2. Gross profit is the amount of money you take in on the sale of an item minus the cost of the goods. Net profit is the amount you have left after subtracting your operating expenses from your gross profit.

3. Operating expenses include transportation costs, rent, salaries, bills, and any other costs of running your store.

4. Capitalize on the personalized service offered by your store; lower your prices to compete with the other store; develop a new inventory and merchandise line.

5. You may consider reducing the selling price of your merchandise if
   a) your merchandise is not selling (it may be priced too high);
   b) fashions have changed;
   c) you want to attract more customers to your store; or
   d) to make room for new merchandise.

   The basic purpose behind any of these decisions is to increase sales to maintain or increase your profits.

IV. Responses to Discussion Questions

1. Stock turnover rates will differ according to the type of apparel store. Turnover rates for men's stores range from 2 to 2.5 times each year. Styles and fashions in men's apparel change less frequently than women's styles and fashions. The turnover rates for a women's clothing store average 3 to 4 times a year. The turnover rates for specialty stores depend on the merchandise. Stores that sell fast-moving items may have 6 to 8 turns a year. Stores that sell slow-moving items like coats and lingerie generally turn stock only 2.5 to 4 times a year.

2. A slow turnover rate tells you that too much money is tied up in slow-moving merchandise, This may affect cash flow, your available cash on hand, and your profits. You may not have enough money to invest in newer, faster moving items. Old and unsold merchandise will continue to be old and unsold. A sale or a reduction in price may help to clear the store of these items. At the very least, the store owner will probably recover the wholesale costs, money that can then be reinvested in other merchandise.

3. Profits may be reduced as a result of theft, fire, bad checks, increases in gas prices (if you offer a free delivery service), inflation, an increase in wholesale costs, and so on. Profits may also be reduced if the store owner has invested unwisely in his or her inventory, and the items are not selling. A sale may move these items out, but the profit may be significantly reduced.

4. Pricing below the usual profit margin can attract customers to the store. More customers may increase the volume of sales as well as provide the opportunity to sell other higher-priced items. Low prices can be used to clear out unsold items, and to provide the necessary cash and space for newer inventory.

V. Group Activity

There is no magic formula for setting prices. Store owners must be flexible in the prices they set; they must take the volume of sales, operating expenses and costs, the target customers, inventory, and their own financial needs into consideration. They must also plan for sales to increase the volume of purchases and to attract customers. In general, for a store to succeed, the advertising campaign must be attractive, and the store's pricing policy must be flexible.

The purpose of this activity is to make students aware of the various techniques and gimmicks store owners use to sell their inventory and attract customers. There is a psychology to advertising, pricing, and selling that store owners utilize to sell their products.

These methods will also be addressed in Unit 7, Advertising and Selling. You may consider conducting this activity after students have completed the next unit.

Unit 7 - Advertising and Selling (1 class period)

I. Vocabulary: Campaign
Format
Circulation
Logo
Consistent
Illustrate
Persuasive
Stimulate

II. Case Study: Joan composes the text of an ad for her Think Small store, plans a Grand Opening Sale, and plans the initial phases of her advertising campaign.

Text: Choosing How to Advertise
Qualities of a Good Ad
Costs

23

Optional Points to Present:

- The Federal Trade Commission (FTC) establishes standards for advertising. You may want to lead a class discussion on how these standards affect advertising techniques and content.

- Word-of-mouth advertising from a satisfied customer is the most effective form of advertising a store can have. This can be related back to topics in previous units--specifically, personalized sales and service and the store image.

III. Responses to Individual Activities

1. Newspaper ads are a relatively inexpensive way to reach a large number of people. They can be distinctively designed to convey a lot of information about your store in a small space. Formats can be quickly and easily changed, and ads can be placed in particular sections of the newspaper to reach select audiences.

   Radio advertising must be repetitive to get results, but it is effective in broadcasting sales and special events. Commercials can also be changed often. Radio ads are usually read live by the announcer or taped in advance.

   You will have less control over the quality of a radio ad, whereas the design of a newspaper ad is almost totally within your control. Radio ads will reach a broader audience but must be repeated frequently in order to be effective.

   Both these media forms are used extensively in advertising and selling. Due to the expenses involved, it is more cost effective to use radio ads to announce special events in addition to using daily newspaper ads to tell people about your store.

2. Some special features may include: special sales announcements, discount coupons, pre-season sales, gift certificates, two-for-one sales (instead of half-price sales--it sounds better), and so on.

3. a) A
   b) B
   c) C
   d) C
   e) A
   f) D
   g) B
   h) D

4. A distinctive logo would help the ad stand out. Also, the ad is visually very symmetrical and predictable. The ad could be improved by arranging the text in an asymmetrical format.

5. There is no "right" answer to this question. Students may use any medium or text to create their ads.

IV. Responses to Discussion Questions

1. Susan would want her ads to reach a very select audience. In planning her ad campaign, she would be wise to first find out what her audience reads. She can then place her ads in the particular sections of the newspapers that her target audience is likely to read.

2. A daily ad can become boring over a period of time if it is not changed. After a while, people will just look at the ad without reading it. Ads for special promotions and sales will attract people's attention. Shoppers may already be aware that your store exists, but a special sale can bring these people in.

3. Unusual promotional events and involvement in community activities are ways of getting free publicity in the local media. Some suggestions include: strolling models, contributions of store gift certificates to charity events, and involvement in the local Junior Achievement chapter.

   Promotional techniques that can be used in advertising your store include: services, demonstrations, discounts, "give-aways," and displays.

V. Group Activity

The purpose of this activity is to sensitize students to the stereotyping and sexism that is often used by the advertising media in order to sell products. Some stereotyped roles are clear--for example, using sexy-looking young women to advertise the appeal of certain aftershave lotions. Some stereotyping is implicit--the (female) secretary is shown making coffee for her (male) boss; then the ad discusses the merits of that particular coffee blend.

Students may not be aware of implicit sexism and stereotyping. You may wish to bring in some examples of your own and lead a class discussion on what people learn from this constant exposure to stereotyped roles. How has this affected your students' dreams of success? Do the males and females in the class tend to differ in their success aspirations?

Unit 8 - Keeping Financial Records (1 class period)

I. Vocabulary: Financial

II. Case Study: The bookkeeping system used by Peggy and Joan to record all sales and expenses for the Think Small store is described.

Text: Cash Sales
Credit Sales
Daily Cash Sheet

Optional Points to Present:

- This unit was designed for use by students who have not had any bookkeeping experience. It provides a very brief overview of some of the basic elements of bookkeeping. You may wish to present a more in-depth lesson on some of the topics.

- Many small businesses use an accountant or a bookkeeeper to compile records for tax purposes. The financial records that the business keeps are usually basic ones.

- Some small business owners keep few records. Such businesses take a big risk if the Internal Revenue Service ever asks to see their books.

III. Responses to Individual Activities

1.

SALES SLIP

DATE _____

CUSTOMER Edna Johnson

Description of Sale	Price	
2 pairs pants	47	98
1 blouse	16	99
1 scarf	3	99
Cash [X]	Subtotal	68 96
	Sales Tax	4 48
Charge [ ]	TOTAL	73 44

2.

CLERK		DATE		
QUANT	DEPT	DESCRIPTION	$	¢
1		wedding dress	232	00
1 pr.		satin slippers	20	00
1		veil & hat	40	00
3		bridesmaid		
		dresses	108	00
3		compacts	11	94
2		champagne		
		glasses	7	96
1		cake knife	7	95
		SUBTOTAL	427	85
		TAX *		
		TOTAL *		
SIGN Wilda Hemlock		AM'T REC'D *		
PAID BY	Wilda Hemlock			
STREET	66 Main Street			
CITY	Belltower, OK			
SEND TO	First United Methodist Church			
STREET	Wesley Boulevard			
CITY	Belltower, OK 73044			

*Use sales tax rate for your area and then compute total.

Be sure your students know your area's salestax. Have students calculate the salestax on the subtotal and add the two figures to calculate the total amount owed.

3. A daily cash sheet lists the total cash receipts (sales) for that day on the left side of the page and all cash payments on the right side of the page. A daily cash sheet is a way of keeping track of money coming into your store (sales) and the money going out (the operating expenses).

4.

DAILY CASH SHEET			
Cash Receipts		Cash Payments	
Cash Sales	235.00	Salaries	____
Credit Accounts	355.00	Building Expenses	300.00
		Equipment and Furniture	____
		Inventory or Supplies	____
		Advertising	50.00
		Other (phone/util.)	150.11
TOTAL CASH RECEIPTS	590.00	TOTAL CASH PAYMENTS	500.11

According to the information provided in the case study, on the day in question the Think Small store took in $590 in sales (revenues). However, on that same day it paid out $500 for various bills and store operating expenses.

IV. Responses to Discussion Questions

1. A store owner would also have to keep tax records, medical and health benefit records for employees, insurance records, purchase and work order records, records of all deliveries made and received, and records of all operating expenses. These records provide information on how much money is coming in and going out, taxable income, and the success of the business.

2. Financial recordkeeping in a business like an answering service would be similar to the recordkeeping for an apparel store, with the following exceptions:

   - There is no inventory and, hence, no inventory records, as this is a service business.

   - The answering service would keep records of work orders instead of sales receipts for items purchased.

3. Cash flow should be calculated regularly to give you an idea of where you stand financially. You will know the cost of goods, your gross profits, operating expenses, and net profits. If these records are kept up regularly, they are more likely to be complete and accurate.

V. Group Activity

The purpose of this activity is to show students how different stores collect different information when completing sales receipts. Using sales receipts is an effective way to identify target customers, develop a mailing list, keep track of sales and the particular inventory items that are "fast movers," and in general maintain an accurate inventory control system.

You may wish to lead a group discussion on how this information can be used by the store owner to improve sales and profits. Divide students into small groups and guide the discussion following the presentation of the different sales receipts forms.

Unit 9 - Keeping Your Clothing Store Successful (1 class period)

I. Vocabulary: Profit/Loss Statement
Revenue
Profit Ratio
Expense Ratio

II. Case Study: After a year of successful operation, Joan completes a profit/loss statement for her business. However, Joan is facing serious problems; she is financially overextended, and her profit margin is small. Joan considers her options in order to increase her profit margin and reduce her expenses.

Text: Keeping Track of Profits
How to Prepare a Profit/Loss Statement
Two-Year Profit/Loss Statement
Changing Your Business to Increase Sales

III. Responses to Individual Activities

1. One way of increasing sales is to improve the quality of service by finding and hiring more capable salespeople. Changing the inventory and merchandise and perhaps changing the store image are other ways to increase sales. It is important to keep up with fashion trends as well as technological advances. Cutting down on operating expenses and planning an effective advertising campaign are ways that can help a store increase profits.

2. Gross profit refers to the money from retail sales after the wholesale costs have been paid. Net profit refers to the money left over from the gross profit after all the store's expenses have been paid.

3. If you raise prices you may lose customers. If your customers know they can find the same items elsewhere at a lower price, they may not return to your store.

4. A store owner may wish to study how cost effective his or her business practices are. Can the ratio of salespeople to customers be decreased without hurting the store's personalized service? Is the advertising campaign appropriate for the customers? Can energy efficient actions be taken to reduce the cost of utility bills? Does the free delivery service add to the success of the store, or is this service too costly to maintain? And so on...

IV. Responses to Discussion Questions

1. The volume of sales in Joan's store is high, and money is coming in from these revenues. However, in order to attract customers, Joan has had to stage several big sales; because of these markdowns, her profit margin is low. Although the store is "breaking even" and there is enough money coming in to cover the store's operating expenses, the profit is low. Joan is concerned because she is aware that she should be making enough profit to invest in new and better merchandise and to expand the business.

2. Joan could discontinue her practice of holding several big sales and try to maintain a consistent pricing strategy. If she has been able to develop a loyal following of customers, this strategy may be successful. She can develop other promotional techniques (displays, discount coupons) to try to attract customers. In addition, she can experiment with her advertising methods (are they cost effective?) and try to reduce operating expenses wherever possible.

3. Sales and profit may decline for a variety of reasons--inflation (fewer "leisure dollars" to spend), poor management, an inappropriate pricing policy, limited merchandise selection, inadequate service and salespeople, shifting traffic patterns and/or a declining economic condition in the area, ineffective advertising, and so on.

V. Group Activity

The purpose of this activity is to review some of the major points discussed in this module with respect to planning, opening, and operating a successful apparel store. This exercise will help students integrate many of the facts, procedures, and problems involved in operating an apparel store and review their own personal interest in the apparel business.

The content outline of this module will be useful in developing the list of activities that students will then rate. At the conclusion of the exercise you may wish to lead a class discussion to see whether students' feelings about owning and operating a clothing store have changed as a result of reading this module.

Summary (30 minutes)

If desired, the Quiz may be given prior to summarizing the module and doing wrap-up activities.

Emphasize major points of the module such as:

- Running an apparel store is a small business opportunity for a person interested in fashion merchandising, but it must be planned and located carefully to be successful.

- Previous sales experience and a genuine liking of people are helpful qualities for an apparel store owner to have.

- Hiring and keeping top quality salespeople is a key part of running the business well.

- The desires and tastes of your customers may change over time. Knowing how to analyze the business and to make necessary changes are important ways to keep the business successful.

Remind students that their study of this module was intended as an awareness activity so they could consider entrepreneurship as a career option. Their introduction to the skills required for successful small business management has been brief. They should not feel that they are now prepared to go out, obtain a loan, and begin their own business. More training and experience are necessary. You can suggest at least these ways of obtaining that experience: to work in the business area in which they would eventually want to have their own venture or to get further schooling (community colleges are starting to offer AA degrees in entrepreneurship).

This is a good time to get feedback from the students as to how they would rate their experience with the module. Could they identify with the characters portrayed in the case studies? How do they feel about the learning activities?

If possible, use a final wrap-up activity to help students apply what they have learned in the module. Possible ideas include the following.

- Have students discuss or write about how they see themselves owning an apparel store now that they know more about it. If time runs short, students could do this on their own time as a means of self-assessment.

- Use one or more of the Group Activities that were not done earlier. (The second one, in Unit 2, "Interviewing Successful Clothing Store Owners," might be particularly appropriate.) Feel free to combine, expand, and adapt the activities so that students can consider a more complete picture of running an apparel store.

Quiz (30 minutes)

The quiz may be used as an assessment instrument or as an optional study tool for students. If you wish to use the quiz for study purposes, duplicate and distribute the answer key to students. In this case, student achievement may be assessed by evaluating the quality of students' participation in module activities.

Quiz Answer Key

1. b

2. Answer could include: sales ability, high energy and enthusiasm, business and/or management experience, and knowledge of fashion trends.

3. Answers could include: give customers personalized service, develop a distinctive store image, identify a target market and provide an appealing and appropriate inventory, stage special promotional events, offer special services.

4. Answers could include: business license, zoning requirements, sellers permit (sales tax permit), an Employer's Identification Number.

5. d

6. Answers could include: the condition of the street, traffic patterns, available parking, neighboring businesses, past history of the site, your target customers, the need for your services at that location, zoning restrictions, space available for expansion, insurance rates, public transportation

7. c; a complete inventory and merchandise list does not need to be included in your business plan.

8. $20,000

9. a; a written job description is an informal agreement between the employer and the employee.

10. c; Clarence's unkempt appearance at his interview probably reflects his general style. His appearance would not make a good impression on a customer.

11. The five basic steps in selling merchandise include: the approach (getting the customer's attention), determining the customer's needs, the presentation, overcoming customers' objections, and closing the sale.

12. d; the location of the supplier should be the least important consideration in selecting a supplier.

13. Answers could include: number and type of inventory on hand, number and type of inventory sold, items that need to be reordered.

14. b; you will want to buy from reliable and reputable suppliers. The quality of their service may affect the policies and procedures of your store.

15. c; the wholesale cost of 390 suits was $2,730. The suits sold at retail for a total of $5,850. The store owner's gross profit on 390 bathing suits was $3,120 ($5,850 - $2,730 = $3,120).

16. Responses could include: newspaper ads, direct mailings, Yellow Pages, TV and radio ads, fliers, other promotional events staged or sponsored by the store

17. a; the outstanding qualities of your store should be evident from your logo and the action words and phrases used to introduce people to your store.

18. Responses could include: name of customer, type of merchandise, quantity of items purchased, price, tax on items purchased, total amount (including tax) paid for items purchased, credit or cash sale

19. b; daily profits can be calculated by knowing cash sales (money in) and payments (money out). Debts are not listed on the daily cash sheet.

20.

$$\text{Profit Ratio} = \frac{\text{Net Profit}}{\text{Revenues}} = \frac{\$\ 50,000}{\$250,000} = 20\%$$

$$\text{Expense Ratio} = \frac{\text{Expenses}}{\text{Revenues}} = \frac{\$100,000}{\$250,000} = 40\%$$

21. Answers could include: increase prices, reduce expenses, increase sales

22. Responses could include: improve the number and/or quality of store services, develop a new store image, change the inventory, identify a different target market, reduce the prices on items, stage more sales, design a more effective advertising campaign.

Other reasonable answers are also acceptable.

SUGGESTED READINGS

General Entrepreneurship References

Holt, N., Schuchat, J., & Regal, M. L. Small business management and ownership. Belmont, MA: CRC Education and Human Development, Inc., 1979.

Jeanneau, J. A. Small business management: Instructor's manual (4 vols.). Prince Albert, Saskatchewan: Department of Manpower & Immigration, Training Research and Development Station, 1973.

National Business Education Association. Business ownership curriculum project for the prevocational and exploratory level (grades 7-9): Final Report. Reston, VA: Author, 1974.

Nelson, R. E., Leach, J. A., & Scanlan, T. J. Owning and operating a small business: Strategies for teaching small business ownership and management. Urbana, IL: University of Illinois, Department of Vocational/Technical Education, Division of Business Education, 1976.

Rowe, K. L., & Hutt, R. W. Preparing for entrepreneurship. Tempe, AZ: Arizona State University, College of Business Administration, 1979.

Apparel Store Resources

Bank of America. Apparel stores. Small Business Reporter, 1978, 12 (2).

Beaver, J. Fashion fundamentals. Austin, TX: University of Texas at Austin, 1974.

Greenwood, K. M., Callson, M., & Mott, D. Apparel shop entrepreneurship. Stillwater, OK: Oklahoma State University, 1977.

Small Business Administration. Business basics: Inventory management, wholesale/retail (No. 1011). Washington, D.C.: Author, n.d.

Small Business Administration. Small marketers aids: Danger signals in a small store (No. 141). Washington, D.C.: Government Printing Office, 1978.

Tolman, R. Fashion marketing and merchandising. Bronx, NY: Milady Publishing Co., 1974.

Acknowledgment: Experience Reserve Bank, with the consultation of Mr. Larry Jacobs.

GOALS AND OBJECTIVES

Goal 1: To help you plan your apparel store.

Objective 1: Describe the customers, competition, and products of a clothing and accessory store.

Objective 2: List the personal qualities of a successful clothing store owner.

Objective 3: List three ways to help your business compete successfully with other clothing stores.

Objective 4: List one or more legal requirements for operating a clothing store.

Goal 2: To help you choose the right location for your apparel store.

Objective 1: List three things to think about in deciding where to locate your clothing store.

Objective 2: Choose the best location for opening a clothing store.

Goal 3: To help you plan how to borrow to start your clothing store.

Objective 1: Write a business description of your apparel store.

Objective 2: Fill out a form showing how much money you need to borrow to start your store.

Goal 4: To help you select and manage the people with whom you work.

Objective 1: Decide how to divide the work of your apparel store among the employees.

Objective 2: From a list of job applicants pick the best salesperson for your clothing store.

Objective 3: Describe one kind of training you might give your employees.

Goal 5: To help you plan your inventory selection and develop a stock control system for your clothing store.

Objective 1: Select a merchandise supplier, decide how much you will buy, and develop a schedule for ordering the supplies.

Objective 2: Compute the total amount of your purchase order for your store.

Objective 3: Compute the amount of inventory on hand on a certain date.

Goal 6: To help you decide how to set prices for your merchandise.

Objective 1: Pick the best price for selling your merchandise.

Objective 2: Define stock turnover and describe how it affects your pricing policies.

Goal 7: To learn ways to sell your merchandise and advertise your clothing store.

Objective 1: Pick one way to advertise your clothing store.

Objective 2: Design a printed ad for your clothing store.

Goal 8: To help you learn how to keep financial records for your clothing store.

Objective 1: Fill out a customer sales receipt for a cash or credit sale.

Objective 2: Fill out a daily cash sheet for money you receive and pay out in one day.

Goal 9: To help you learn how to stay successful.

Objective 1: Given information about a store's income and expenses, complete a profit/loss statement.

Objective 2: State ways to increase profits.

Objective 3: Suggest a way to change your business to increase sales.

GPO 791-883/240